

FINAL EXAMINATION
MARCH 2024

COURSE TITLE	MANAGEMENT ACCOUNTING 1
COURSE CODE	AACT3213
DATE/DAY	30 JUNE 2024 / SUNDAY
TIME/DURATION	05:00 PM - 08:00 PM / 03 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES :

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 7 Printed Pages including front page)

This question paper consists of **FOUR (4)** questions. Answer **ALL** questions in the answer booklet provided. **[100 MARKS]**

QUESTION 1 **(25 Marks)**

Required:

(a) Explain **THREE (3)** major roles of accounting information for decision making purposes. (9 Marks)

(b) "Budgetary control is a systematic process that helps organizations monitor and manage their financial performance by comparing actual results with planned budgets. It allows businesses to track expenses, identify variances, and take corrective actions to ensure financial goals are met." (Info edge, 2024)

Discuss any **FOUR (4)** limitations of budgetary control.

(12 Marks)

(c) Describe any **TWO (2)** differences between management accounting and financial accounting.

(4 Marks)

QUESTION 2 **(25 Marks)**

Genuine Plus Company, maker of high-quality flashlights, has stable growing over the last 5 years. However, due to the high competition, the president, Mr. Andy believes that an aggressive campaign is needed next year to maintain the company's present growth. The company's accountant has presented Mr. Andy with the following data for the current year, 2024, for use in preparing next year's advertising campaign.

Cost Schedules

Variable costs	RM
Direct labor per flashlight	8.00
Direct materials	4.00
Variable overhead	<u>3.00</u>
Variable cost per flashlight	15.00
Fixed costs	

Manufacturing	25,000
Selling	40,000
Administrative	<u>70,000</u>
Total fixed costs	135,000
Selling price per flashlight	25.00
Expected sales, 2024 (20,000 flashlights)	500,000

Mr. Andy has set the sales target for the year 2025 at a level of RM550,000 (22,000 flashlights).

- a) Based on the information above, you are required to calculate:
- i) the contribution margin per unit for 2024. (4 Marks)
 - ii) the break-even points in units for 2024. (4 Marks)
 - iii) Mr. Andy believes that to attain the sales target in the year 2025, the company must incur an additional selling expense of RM10,000 for advertising in 2025, with all other costs remaining constant. Determine the possible break-even point in RM sales for 2025 if the company spends an additional RM10,000. (5 Marks)
 - iv) The sales level in RM is required to equal 2024 operating income if the company spends an additional RM10,000 for advertising in 2025. Assume the target operating income for the year 2024 is RM65,000. (6 Marks)
- b) Describe any **TWO (2)** advantages of using cost volume profit analysis. (5 Marks)

QUESTION 3

(25 Marks)

(a) Explain **FOUR (4)** differences between Activity Based Costing System and Traditional Costing System.

(8 marks)

(b) The Powerr Co produces 3 products, Go X, Go Y and Go Z. All are made from the same material. Until now, it has used traditional absorption costing to allocate overheads to its products. The company is now considering an activity-based costing system with the aim to improve the profitability. The information related to the products for last year provided as follows:

	Go X	Go Y	Go Z
Production and sales volume (units)	15,000	12,000	18,000
Selling price per unit	RM7.50	RM12.00	RM13.00
Raw materials usage (kg) per unit	2	3	4
Direct labor hours per unit	0.1	0.15	0.2
Number of deliveries to retailers (per annum)	48	30	62
Number of purchase orders (per annum)	24	28	42
Number of production runs (per annum)	16	12	8
Machine hours per unit	0.5	0.7	0.9

The price for raw materials are kept constant throughout the year at RM1.20 per kg. Similarly, the direct labor hours cost for the whole workforce was RM14.80 per hour. The annual overhead costs were provided as below:

	RM
Delivery costs	54,320
Procurement costs	48,000
Machine running costs	66,400
Machine set up costs	26,550

Required:

- a) Calculate the full cost per unit for products A, B and C under traditional absorption costing, using direct labor hours as the basis for apportionment. (6 Marks)
- b) Calculate the full cost per unit of each product using activity-based costing. (9 Marks)
- c) Using your calculation from (a) and (b) above, explain how activity based costing may help The Powerr Co improve the profitability of product Go X. (2 Marks)

QUESTION 4

(25 Marks)

- (a) Healthy Ladyy Sdn Bhd is a local company manufacturing customized cups for a health drink product. The 39,000 cups are produced and the costs per unit for the cup are provided as below:

	RM
Flexible manufacturing overhead	1.10
Fixed manufacturing overhead	1.30
Flexible selling	0.62
Fixed selling	0.87
Direct materials	0.69
Direct manufacturing workers	2.40

Usually, the cups were sold for RM32 each. A special order for 4,750 cups has been made by a regular customer. The price for the order is RM12.00 per cup. The company will incur an additional variable selling cost of RM 1.65 per unit with the special order. The company has excess capacity.

Required:

Determine the amount by which the operating income would change if the order were accepted. Show your workings.

(11 marks)

(b) Capital budgeting is the process of evaluating long-term investments. Taking a formal approach increases the likelihood of selecting the projects that are more likely to increase business value. A variety of methods exist to help quantify the impact of capital projects and compare them, most using the financial concepts of opportunity cost and the time value of money.

(Netsuite, 2024)

(i) Determine **ONE (1)** example of a capital budget.

(2 Marks)

(ii) Discuss **FOUR (4)** decisions an accountant could make by relying on capital budgeting.

(12 Marks)

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*** END OF QUESTION PAPER ***
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